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## LORIA'S LANDED SYSTEM OF SOCIAL ECONOMY.

I PROPOSE in the following article to present to the American public the social system set forth in the works of the Italian economist, Achille Loria. Although open to criticism on many points, this system seems to me to display a degree of talent and originality that makes it a remarkable contribution to political economy. It is also destined, I think, to exert a far-reaching influence. Its effect on economic thought in Italy is already notable. In offering it to the consideration of the American public, who show so lively an interest in social-economic studies, I believe that I am not only gratifying a just patriotic pride in such a thinker as Loria, but that I am also giving an impulse to scientific research, which delights in the contrast of opinions and in a full examination of novel ideas. Loria's system is likely to be of especial interest to Americans, from the fact that the theories on which it is based have found their chief confirmation in the economic evolution of the United States, which he has carefully analyzed in his recent works.

### I. *Fundamental Principles.*

All Loria's works are skilfully co-ordinated to a single idea. He boldly refers all economic phenomena, and even in a general way all social evolution, to one sole cause, namely, agricultural conditions as historically determined by the varying degrees of density of population. His system stands in direct relation to that of the Ricardo-Malthusian school, which hinges on the laws of population and rent ; but he diverges from this school in his treatment of these laws in their development and in the social value which he assigns to them, and his conclusions are altogether different. His entire theoretical structure, in fact, is marked by profound originality. The fundamental principles of his theory and their divergence from the Ricardo-Mal-

thusian doctrine are expounded in the admirable introduction with which he commenced his course of lectures at the University of Siena in 1882.<sup>1</sup>

Property in land is the primary social phenomenon for Loria, as for Henry George, with whom he has several points in common. The relation between the productivity of the soil and the density of population is the ultimate fact in determining the various historical periods in the economy of nations. This agricultural basis, which the development of industry in recent times has caused us to lose sight of, was detected, but not fully comprehended, by the Ricardo-Malthusian system. The phenomena which to Malthus and Ricardo seemed absolute and unchangeable, Loria regards as essentially historical and variable. He makes a thorough examination of the doctrine of population. He takes exception to the idea that the quantity of agricultural produce depends only on the productive power of the soil and the degree of development of agricultural skill ; and he will not admit that the growth of population is determined exclusively by the physiological law of human increase and the self-control of man. Besides natural and technical limitations, the development of agricultural production is subject to economic restrictions as well, such as the exclusive retention of fertile lands by large landowners, the concentration in few hands of city real estate, the unproductive use to which much land is put, the depressed condition of the agricultural laborer, and above all the antithesis of agricultural improvement and the interests of the landowners, who gain in rent by decrease of productivity. Agricultural industry is therefore kept by economic causes within artificial limits ; and the existing lack of equilibrium between population and means of subsistence seems to be not a necessary consequence of a phenomenon of physical nature, but rather a product of human and social institutions.

Again, as to population, its growth is regulated by economic

<sup>1</sup> *La Legge di Popolazione ed il Sistema Sociale* (Siena, Lazzeri, 1882), p. 101. It is a remarkable fact that in the ten years that have elapsed, during which his then youthful mind has reached its maturity, his theories have not substantially changed. Accordingly his later works are but a development of the system whose underlying principles he formulated a decade ago.

as well as by physical and moral causes. This is proved by the fact, contrary to what might be expected from the law of Malthus, that the wealthier increase more slowly than the poorer classes — a fact that may be explained by a desire on the part of the rich to maintain the standard of life and the comforts which they enjoy. And again, the Malthusian principle of a lack of equilibrium between population and subsistence would account for the poverty of an entire nation, but not for that of a part of the people, in glaring contrast with the wealth of the rest. Partial poverty must be ascribed to other causes, and above all to a system of distribution of wealth which modifies the economic condition of the various social classes in proportion to the increase in population. But here comes in Loria's broad conception of the phenomenon of population. The human and social institutions and the economic order which are the real causes of present discontent are in their turn but the results of the development of population. The increase in population transformed the original patriarchal economy into a landed system which better corresponded to the wider wants. Later on a further increase caused the disappearance of the mediæval order, which had assured to the laborer a certain degree of comfort, and reduced him to the condition of a wage-earner. In like manner still further development in the density of population must eventually transform the social order of the present day and give rise to a new form of landed and industrial organization.

For Loria, therefore, the increase in population is not, as it was for Malthus, an immediate and absolute cause of the poverty of the more numerous classes, but a mediate and historical cause. Between the two theories there is a fundamental difference. Malthus regards misery as a necessary and eternal result of the conflict of two laws, one physical, the other physiological. Loria, on the other hand, finds that the conflict is between an economic coefficient of production, of a negative character, which actually lessens production, and an economic coefficient of procreation, of a positive character, which tends to increase population, while to these two factors must be added a

third, namely, the present system of the distribution of wealth. And all these phenomena he regards as the product, not of an immutable law of population, but of the actual degree of its development and of its density—an historical degree which can and even must necessarily change. Thus it may be said that the conception of the law of population which for Malthus is static, for Loria becomes dynamic.

The transformations in social economy, then, correspond to the successive degrees in density of population. To this one cause may be traced all the characteristics of any given economic phenomena. Thus Loria explains not only historical systems, but the prominent features of the existing order—the conflict of labor and capital, the crushing of small by large industry, the introduction of machinery, the lowering of wages. The increase of the human race creates an eternal, unceasing pressure on the soil. To each successive degree of density in population corresponds a particular social-economic system, and at each stage arises a particular method of production, a particular form of property in land, a particular arrangement in the cultivation of the soil. But each of these systems ceases in time to respond to increased wants, and through the operation of the same cause which gave it birth, it crumbles away to make place for a new and adequate economic order.

These are the fundamental principles of Loria's theory—a theory which does not justify the present economic organization as immutable, but which justifies it completely as an historical fact. Loria adds to this justification, however, a criticism, through which he predicts the dissolution of the present order and foreshadows the new order which will satisfy the new needs that must arise in the inevitable progress of social evolution. In his numerous works Loria has fully developed these principles from both the historical and the theoretical point of view. He has interpreted the economic evolution in its various phases and in its different phenomena, and he has criticised at length the entire structure of the present order and has demonstrated the necessity of its dissolution. In the new régime that is to arise interest, profit, rent, wages—all of them historical and

variable categories — will disappear, to make way for an economic form which will restore the freedom of the laborer, and bring back social equality on the basis of freedom of the soil.

We must follow our talented author on his long way, especially in his two great works, *Agricultural Rent* and *Analysis of Capitalist Property*. The first of these ends with what he calls the “elision of rent” in a new social order, while the second studies the genesis and evolution of profit, and attempts to prove the necessity of its disappearance.

## II. *Agricultural Rent*.<sup>1</sup>

I feel justified in speaking here at greater length of the *Agricultural Rent*, because, although written eleven years ago, this work not only constitutes a most important part of our author's system, but also contains a mass of investigations, both historical and speculative, which have formed most important contributions to science, and which deserve to be better known to the American public.

Our author starts from the Ricardian theory of rent. This he accepts in its theoretical content, but he ascribes to it only a relative and historical character, observing that the results of agricultural rent differ at different times, and that its social importance belongs properly only to the present economic period. In the joint ownership of the primitive village communities there was no such thing as rent. It was eliminated by the very method in which the allotments of land were made; for in some cases greater fertility was counterbalanced by smaller acreage, and in others, when the grants were periodically renewed, lands of different fertility came to each one in turn, or else various strips of different fertility were assigned to each at the outset. In the family communities the system of patriarchal economy, in which exchange was almost absolutely lacking, gave to rent a simple value in use, or mere utility, which was enjoyed by all the members of the cultivating family or group.

With the rise of private property rent acquires a different

<sup>1</sup> La Rendita Fondiaria e la sua Elisione Naturale. Milan, Hoepli, 1880. 743 pp.

character and becomes a permanent advantage attached to certain individuals. But for a long time various causes limit either its development or its social importance. In the middle ages, for instance, the characteristics of rent are quite different from those at the present day, and are of very little importance. The feudal landlord grants his immense tracts of land to his vassals for a fixed sum which never increases. The rent, or at least the increment of production over the fixed payment, therefore constitutes the vassals' profit. They in their turn sub-let the land to others and thus the rent is distributed among several persons. Owing to the undeveloped state of exchange such a rent exists only in kind, and the feudal lord makes use of it, not for his personal advantage, but in maintaining a large retinue of followers, in supporting the poor, *etc.* When a money economy arises, the feudal lord, who on account of his position can neither practise a trade nor lend capital, spends his income on manufactured articles, the price of which is kept up by the monopolies and guilds of the time. So it is that rent is cut off, or "elided," first in favor of the vassals and the peasants, and then in favor of the artisan-capitalists. In the middle ages, as Quesnay said, the cities lived at the expense of the landowners.

The rise of the new economic order, the development of commerce and population, caused rent to increase. But various causes, chief among which were the great agricultural improvements brought about by the system of fixed rents known as emphyteusis, co-operated in lowering it rapidly, so that it was an unimportant factor in the early part of the modern era. But the landowners, through the political influence which they exerted, succeeded in increasing their rents by means of a policy of protection to agriculture. Free trade, Loria stoutly maintains, was not possible until rent began to rise spontaneously; the growth of population and the manifestation of the law of diminishing returns then rendered unnecessary any further effort to increase rent artificially. Even under present conditions there are certain cases in which this stage of rent is involved, especially in connection with customary tenure, such as the metayer system, where the rent is divided between the

landowner and the cultivator ; for here the landowner's share is invariable and is determined independently of the fertility of the soil. But these forms tend to disappear ; and in contradistinction to past times, when rent tended to eliminate itself, the economic movement of to-day is toward a land system which, by fostering the greatest competition, and through the medium of large farms, rent and wage-earning laborers, shall insure to the landowner ever more completely the surplus returns (*soprareddito*) of the soil.

Under the present system, therefore, agricultural rent acquires great importance, which is enhanced by the fact that, constituting a barrier to production, rent becomes the cause of its own continuous increase. This characteristic Loria designates as the "force of retorsion (*forza di ritorzione*)" of rent. Agricultural improvements are introduced on the most fertile lands ; and as such lands require large amounts of capital, they become concentrated in the form of immense estates. To the smaller owners only the inferior soil is left, and the benefits of the improvements accrue solely to the large landowners, in the form of monopoly rent. But the system of large estates (*la grande proprietà*) thus developed obstructs these very improvements, which in last analysis are opposed to the interests of landowners, the receivers of rent. This obstruction appears in various forms : in the unproductive use to which vast tracts of land are put when devoted to purposes of mere luxury ; in the ignorance of the tillers of the soil, reduced to the condition of wage-earners ; in the concentration of rich landowners in cities ; in their withdrawal from agricultural pursuits, and in the application of their capital to articles of luxury ; and above all in the system of leases, which are detrimental to improvement in proportion as their term is short, while the progressive increase in rent is a constant inducement to landlords to shorten it. Rent is, therefore, in itself the cause of its own increase, and operates as a decided barrier to improvements and to the progress of production. It is only as population increases that such agricultural progress is possible as will not harm the landowners or cause prices to fall. In fact the introduction of improve-



ments has, up to the present time, had no other result than that of keeping the price of agricultural products constant, thus affording subsistence to a larger population and rendering possible a steady increase in agricultural rent.

The pernicious effects of agricultural rent, as it now exists and develops under a system of large estates, diffuse themselves throughout the entire social structure. Rent lays bare the very root of private property in land. While such a system may originally have been necessary in order to render cultivation more intense, yet, when joined to economic rent, it impedes the progress of agriculture. And with the excessive increase in rent private property no longer has a philosophical justification; for while the right of property founded on labor becomes an abstraction, there arises a form of ownership which without any right levies a tax that it has not earned. Thus ownership is no longer synonymous with the enjoyment and free disposal of the soil (from which the large landowner is completely divorced), but it does mean the right of assessing an ever-increasing tax on the entire population.

Agricultural rent exerts a depressing influence on the non-proprietary classes, whether agricultural or manufacturing. Indeed, the system of short leases, which results from the increase in rent, establishes a permanent conflict of interest between tenant and owner; and the outcome in every case is either positive gain for the landowner, or injury to the land through lack of improvements. Under the stress of short leases and competition, the tenant is compelled to make good his losses out of the agricultural laborer, whom moral and intellectual depression prevents from rising. Thus wages diminish proportionately with the increase in the prices of commodities, and the decrease in wages benefits neither the consumer nor the tenant, but only the landowner. The law of diminishing returns and the rent which it intensifies limit production, raise the price of agricultural produce and consequently increase the cost of labor, and thus become a burden to the capitalist-manufacturer, who tries in every possible way to shift the effects on the workmen.

The characteristic facts of modern economy relating to the industrial classes can receive no scientific explanation where they cannot be connected with that fact which produces economic rent. This close connection which exists between industrial phenomena and the law of diminishing returns shows how the most varied facts of the modern economic system may all be referred to one simple cause, which resides in the processes of nature.<sup>1</sup>

Loria does not regard as sound the usual method of considering the relation between capital and labor. Classical political economy represents capital and labor as entering into free contracts; socialism portrays labor as impoverished by capital: but the truth is that if labor is held down by capital, the latter in its turn is not free, but is dominated by the law of diminishing returns of land. "The land acts as a true cosmic power over both factors of production; it lays down its own stipulations in the labor contract."<sup>2</sup> But this potent influence is to be felt only in connection with the economic and technical structure in modern industry, and it is directed by the actual organization of modern society; and while on the one hand it gives a momentous impulse to industrial production, on the other hand it depresses the condition of the working classes.

It would not be unreasonable to expect that, after ascribing so profound an influence to economic rent, Loria would conclude by demanding that it be appropriated by the state. But our author, who, as stated above, has many points of contact with Henry George,<sup>3</sup> here breaks entirely with him. Loria asserts that it will be impossible for the state to absorb all the rent. In the first place, there is great difficulty in making a practical distinction between agricultural rent and the profits of capital sunk in the soil; in the second place, it is far from easy to determine the increase in rent; and lastly, there is the troublesome fact that when the land is sold the rent is capitalized and accrues to the benefit of the seller. Neither could the radical remedy of nationalizing the soil accomplish the purpose; for

<sup>1</sup> *La Rendita Fondiaria*, p. 311.

<sup>2</sup> *Ibid.* p. 312.

<sup>3</sup> Loria's *Rendita Fondiaria* was published simultaneously with George's *Progress and Poverty*, and there is no reason to suppose that Loria was acquainted with the latter work at that time.

then the state would be obliged to lease the land to private individuals, and this would mean rent, with all its defects and conflicts of interests. If a system of long leases were adopted, the increase in rent would revert to the lessee; if short leases were preferred, they would mean the absence of all improvements and all rational cultivation. Nor could socialism in its simplest form, the nationalizing of capital, succeed in extirpating rent. Rent will always fall to the most favored producers, who exchange their commodities at a price corresponding to maximum cost. To eliminate rent would require the nationalization of exchange as well as of production; but such collective ownership, which existed even when rent did not, offers no guarantee of the intensive production and agricultural progress which become all the more necessary as population increases.

The remedy, according to Loria, must still remain in the field of spontaneity and individuality, and may be found in a form of ownership which, following the historical process of elision of rent, will even in our own time eliminate that sad factor of injustice and misery. It is difficult to give in a limited space a sufficiently clear idea of Loria's conception of the elision of rent. The acute but abstruse theoretical discussions in which he elaborates this conception constitute naturally that part of his work which is most open to controversy. It will suffice here to sketch them simply in a summary way, especially as the fundamental idea is taken up again in the other work on which I intend to dwell at length.

The natural elision of rent, Loria thinks, would come about in a system of small farms cultivated co-operatively — a system of associated ownership, satisfying the demands of agricultural progress, which would be stimulated by knowledge and association, and above all would not be annihilated by capital. Such a system, full of vitality and energy, would be the true antithesis to the wasted and impoverished small farms of to-day which tend continually to disappear.

In this proposed system, even if rent existed, its results would be mitigated to a great degree; for it would benefit a large number of persons whom to-day it injures, it would not lower

the wages of farm labor, and it would encourage agriculture. But as a matter of fact this system would not permit of rent. Under present conditions, since value as between the industrial producer and the agricultural producer at a less cost is determined by the law of maximum cost of production, and thereby gives rise to rent, agricultural capital will necessarily be transferred to the manufacturing occupations as soon as the agricultural producer begins to find prices below the maximum cost of production. But in this system of small ownership this would not be possible, because the ties which bind the small cultivator to his property would prevent his leaving it as long as he received ordinary profits from its cultivation. The relative immobility of agricultural capital would limit the competition between agricultural and industrial producers; it would confer upon the latter a monopoly quite equal to that of agricultural producers at a less cost, and would create a situation in which the market prices of manufactured articles would differ for different agricultural producers. Thus those agricultural producers who had realized on their products a price greater than actual cost would have to hand over their profits in the shape of higher prices to be paid for such manufactured articles as they might wish to acquire. The rent on land therefore would cease to exist.

Such a process of elision, according to Loria, would come about naturally. The elision of rent is to him a normal historical phenomenon, whereas the appropriation of rent by the land-owners is a special phenomenon of modern times and appears to constitute a deviation from the beaten paths of history.

Private property in land has its real foundation in the pressure of population on subsistence, and in the consequent necessity of intensive cultivation. The change from common to private ownership corresponds to the first manifestation of the resistance of the soil in production, or the law of diminishing returns; just as the successive changes which occur in the system of private property in land are only the result of successive degrees of this resistance.<sup>1</sup>

<sup>1</sup> *La Rendita Fondiaria*, p. 482.

In a later stage of social development the growth of this resistance will finally terminate the long separation of the cultivator from the soil, and will inaugurate the era of cultivating ownership. With the disappearance of the usurping phenomenon of rent, property in land will thus find its legitimate justification in the unceasing, free and conscientious labor of the husbandman; and out of the greatest tension of antagonistic interests will be born social harmony.

But this social harmony which in Loria's first investigations appeared to him as the result of merely the elimination of rent, finally, after his profound researches in the *Analysis of Capitalist Property*, appeared possible to him only as the ultimate consequence of a complete dissolution of the present social system, in the course of which not only rent, but also interest and profits would disappear. These latter elements are to be eliminated by an agricultural régime analogous in many respects to the system of small farms described above. Let us then follow him in his studies on "capitalist property."

### III. *Analysis of Capitalist Property.*<sup>1</sup>

This work consists of two distinct parts. The first develops deductively the results produced on the social order by the original system of free land, and by the later systems in which the land has ceased to be free. In the second part the abstract conclusions are supplemented by a profound historical investigation. Let us also follow this order.

Assuming an economic system where free land exists, accessible to all and capable of cultivation by simple manual labor, Loria holds that neither profit nor interest is possible. Under these conditions, a laborer would consent to abandon free land and labor for wages on the land of a capitalist-producer, only if he could obtain a compensation equal to that which he could get from land by investing capital in it. In fact the laborer's abstinence from free land and the capitalist-producer's abstinence from consumption, being incommensurable, would counterbalance each other. In such a case the laborer would

<sup>1</sup> *Analisi della Proprietà Capitalista*. Turin, Bocca, 1889. Two volumes, 474, 777 pp.

appropriate to his own use the whole return for the capital furnished by the capitalist-producer, which would render the employment of capital itself impossible because unremunerative. But if this capitalist-producer had an interest in rendering more intensive and more remunerative the production resulting from his own work, he might accumulate a new capital and advance it to a laborer who would work on his land as a partner. He would succeed in uniting on his own land the useful results of his labor and his capital with those of this new capital and the associated laborer. But he would also have to give to the latter one-half of his produce, because it is only on that condition that the laborer could obtain for abstaining from free land a compensation equal to that secured by the capitalist-producer for abstaining from consumption.

Moreover these terms — the only ones which a simple laborer would accept — would be to the advantage of the capitalist himself, since the latter would obtain through the combination of labor a greater product than he could secure alone. But in such a form of distribution as would be compatible with this association, profit could not exist; for the earnings of the one who has accumulated would be equal to those of the one who has not; and the capitalist, in order to secure some returns, would be obliged to take a hand in the work under the same conditions as the simple laborer.

Nor would interest be possible in this régime of free land. The laboring proprietor who would borrow from a capitalist would cease by this very fact, says Loria, to be a proprietor; since by becoming a dependant of the capitalist, he would virtually abstain from the land. But in such a case he could claim as a return for his abstinence the whole produce of the capital; which would thus not be loaned otherwise than gratuitously. And this confirms the assertion which has already been made to the effect that under a system of free land the capitalist could not derive any advantage from his capital unless he should set to work himself.

The existence of free land cultivable by simple labor would also, according to Loria, exert a great influence on value, fixing

it exclusively in terms of labor. For instance, if a producer who employs capital and labor obtains therefrom only a value equal to that obtained by another producer who employs labor alone, he has no right to complain on that account; for he is compensated for the employment of his capital by the resulting relief from intense personal exertion. And the competition between capitalist-producers would prevent his making such use of this employment of capital, already thus compensated, as to bring about an increase in value. In this way, as capital would not enter into the cost of production, products would be exchanged simply on the basis of the respective quantity and quality of labor.

But with the cessation of free land everything changes. The laborer, no longer enjoying the freedom of choice between free land and association with the capitalist-producer, is compelled to yield his labor to the latter, no longer indeed for half the product, but for a smaller remuneration. There is thus left to the capitalist a surplus which constitutes what is called profit. As long as this profit remains slight it does not exempt the capitalist from the necessity of labor; but this exemption comes quickly enough with the increase of profit. It is then that occurs the complete dissociation of capital from labor, and the formation of a class of idle capitalists to whom profit is a necessity of life. Furthermore, as we shall soon see, the continued existence of profit leads inevitably to the reduction of wages to a minimum. As free land ceases, interest suddenly appears; for the laborer who borrows capital, no longer having the option of free land, cannot claim the entire produce of the capital, but must give up to the capitalist a part, which is interest. The existence of profit produces a different determination of value from that which prevailed before. If we deal with commodities produced by labor alone, or by labor and equal quantities of so-called technical capital (*i.e.* capital in the form of plant, *etc.*), their value will evidently be determined by the labor; but if, as is more commonly the case, we have to deal with commodities produced by labor and various quantities of technical capital, the co-operation of capital will evidently demand a return which will

its onslaught irresistible ; and the result will come in the reconstitution of free land and in the institution of that social form which is its necessary accompaniment.<sup>1</sup>

In the second volume of his great work Loria seeks in facts the verification and proof of his deductions. This study is of special interest to the American public, as it contains a profound analysis of colonial economy, with especial reference to North American settlements and their development. The sources from which the author draws his information are largely American ; and it would be in the highest degree desirable if some competent American writer were to examine and test Loria's evidence and conclusions.<sup>2</sup>

The author finds in colonial history at every step a confirmation of the close dependence of the economic order on conditions of soil and population. The American colonies, for example, at the outset, present a condition of things which renders quite apparent the great influence of land on social phenomena. For while the people have the same character as in Europe, the social institutions are entirely different. The cause of this difference then must lie in some fact of external nature, and is to be found in the existence of free and uncultivated land to an extent unknown in Europe. The motive power of the social process is the land and man is but a simple spectator.

In the beginning of American colonization there was a most fertile free soil, which could be cultivated without capital. So great was the productivity of the soil that families without any money and with but very few implements could soon make it amply meet all their wants by simply settling on the land. And since any one could easily cultivate the land for his own account, even without any means, a wages class was an impossibility. The colonists were dispersed, living family by family and tilling

<sup>1</sup> Vol. i, pp. 776, 777.

<sup>2</sup> Loria's investigations are of course not limited to America, but cover other colonial regions as well as a survey of the history of Europe. If special mention is made of the American facts, it is because of the probability that they must be of greater interest to the readers of the *QUARTERLY*.



them. Therefore *individual* accumulation of capital will be limited by the productive power of the individuals in combination. But *social* accumulation will continue, because the new laborers who have been shut out from the association can go over to free land and organize there other associations. On the other hand, when free land ceases and labor is consequently separated from capital, individual accumulation becomes automatic and progresses without limit, because by means of a greater capital the capitalist can employ a continually greater number of laborers. The capitalist who does not work accumulates not for the simple purpose of increasing the efficiency of his labor, as in the case of free land, but in order to increase continually the number of laborers, from each of whom he can extort the difference between product and wages. Individual accumulation therefore becomes a perpetual machine by means of which fortunes increase indefinitely. And as a result of the cessation of free land, there arises that greedy fever for gold which the economist usually considers inseparable from the nature of man, but which Loria regards as only an historical form.

But this unlimited accumulation reacts, through the medium of competition, on the rate of wages. By raising this rate it threatens the existence of capitalist economy, because the increase in wages makes it possible for the workmen to go to less fertile lands, as yet unoccupied, which can be cultivated only by those who possess capital. Capital is thus confronted with the question of life or death—of reconciling an unlimited accumulation, which it is impossible to avoid, with the reduction of wages to a minimum, which is essential to the continuance of profit. This problem is solved on the one hand by the employment of women and children, the lengthening of the working day, the direct decrease of wages and the use of machinery; and on the other hand by a series of facts which tend to limit the productive employment of capital, such as the vast crystallization of capital in the form of money, the payment for useless services of middlemen, the transformation of productive into unproductive capital, the combination of capital-

ists and the concentration of capital in a few hands, the consumption of capital in speculation and crises — facts which are all ingeniously traced back by the author to a single cause. It is for the purpose of maintaining profit, therefore, that capital is consumed and rendered unproductive, and wages are reduced to a minimum.<sup>1</sup> For in proportion as capital is diminished or rendered unproductive, the supply of labor is made artificially redundant, and thus we have an excess in population, not as over against the means of subsistence, but as over against the supply of capital. Notwithstanding all this, through the gradual accumulation of capital profits diminish and in their turn restrict accumulation. But on the other hand the reduction of wages to a minimum removes all restriction on the increase in the number of laborers. The condition of the wage-earners presents no attractions which they will seek, by checking procreation, to preserve. So the poorer classes in the population increase, while the richer relatively decrease under the operation of the moral restraint. Hence capital tends to become ever more concentrated and the chasm between the social classes is ever widened.

This state of affairs, however, is not necessary and absolute, but is simply historical; it is the product of the degree of occupation of the soil which produces rent (the limit to production), minimum profits (the limit to accumulation) and minimum wages (the incentive to procreation). Thus in last analysis,

<sup>1</sup> At this point I may call attention to one of the many original ideas which are scattered throughout Loria's work. According to Loria, money results from the cessation of free land. With free land and the formation of value on the basis of effective labor, it would be possible to find in labor a general measure of value, and to have a general equivalent of products in the form of a paper money which should represent the quantity of labor into which a product could be converted. This would obviate the necessity of a rather expensive currency, which entails the consumption of an enormous quantity of labor and capital in the production of gold and silver money. Furthermore, in this labor which measures value, we would have an invariable standard. But in capitalist economy, based on the cessation of free land, a useless and costly metallic currency is necessary to the capitalists, as a principal item in that unproductive form of capital which limits the demand for labor and reduces wages to a minimum. Thus, the continuance of profit, besides rendering capital unproductive, makes economically impossible an absolute and invariable standard of value such as labor would be.

the automatic excess in population and the misery of the lower classes are due to the exclusive ownership of the land, which generates profit, minimum wages, Ricardian rent, and besides these, a new form of income, the monopoly revenue of the land which accrues to the landowners and which is ever on the increase. In fact, even if there were no more uncultivated land, it would still be possible, with equal rights of occupation in all, to establish the free association between the capitalist-laborer and the simple laborer, which by restoring equality would in itself extinguish profits and wages. But the existing economic order, in which our society toils and struggles, fortunately contains within itself the germs of its own dissolution. It is that apparently permanent automatic excess in population which leads necessarily to such a dissolution. The increase in population necessitates the extension of cultivation to less and less fertile soil. Rent will thus steadily rise and so absorb part of profit, which the progress of accumulation reduces more and more, while the exclusive ownership of land will create and ever increase the monopoly revenue which is to be added to the Ricardian rent. In the endeavor to increase temporary profit, the most risky speculations will be carried on and the soil will be despoiled even to exhaustion ; but in vain.

At the very moment when profit has become automatic and seems to defy every attack, its ruin is being inevitably prepared. For as profit is reduced below a minimum, owing to the increasing restraint which exclusive landownership puts upon production and therefore upon profit, the continuance of production becomes irreconcilable with capitalist economy ; and hence it becomes necessary to substitute for the economic form based on the suppression of free land, a superior social form founded on free land, or else to institute a mixed association (that is to say, an association on equal conditions between the capitalist-producer and the laborer) thus re-establishing the severed ties of man to the soil.

The triumphal march of the working classes, whose discontent and ferment are characteristic of our present social order, is inevitable.

Numbers, which constitute the weakness of the working classes in the economic struggle, are its strength in the social struggle and render

its onslaught irresistible ; and the result will come in the reconstitution of free land and in the institution of that social form which is its necessary accompaniment.<sup>1</sup>

In the second volume of his great work Loria seeks in facts the verification and proof of his deductions. This study is of special interest to the American public, as it contains a profound analysis of colonial economy, with especial reference to North American settlements and their development. The sources from which the author draws his information are largely American ; and it would be in the highest degree desirable if some competent American writer were to examine and test Loria's evidence and conclusions.<sup>2</sup>

The author finds in colonial history at every step a confirmation of the close dependence of the economic order on conditions of soil and population. The American colonies, for example, at the outset, present a condition of things which renders quite apparent the great influence of land on social phenomena. For while the people have the same character as in Europe, the social institutions are entirely different. The cause of this difference then must lie in some fact of external nature, and is to be found in the existence of free and uncultivated land to an extent unknown in Europe. The motive power of the social process is the land and man is but a simple spectator.

In the beginning of American colonization there was a most fertile free soil, which could be cultivated without capital. So great was the productivity of the soil that families without any money and with but very few implements could soon make it amply meet all their wants by simply settling on the land. And since any one could easily cultivate the land for his own account, even without any means, a wages class was an impossibility. The colonists were dispersed, living family by family and tilling

<sup>1</sup> Vol. i, pp. 776, 777.

<sup>2</sup> Loria's investigations are of course not limited to America, but cover other colonial regions as well as a survey of the history of Europe. If special mention is made of the American facts, it is because of the probability that they must be of greater interest to the readers of the *QUARTERLY*.

the soil according to primitive methods. The existence of fertile uncultivated lands rendered improvements unnecessary, — while on the other hand, the isolation of the producers rendered them impossible. The first agricultural institutions of the colonists were analogous to, and in certain cases identical with, those of primitive communities. The colonists had not absolute property rights in the soil ; they were compelled to cultivate it ; they were forbidden to sell it to persons outside of the community ; and in certain places they were even compelled to cultivate it in common. This compulsory cultivation is to be explained by the fact that the sparsity of the population denoted an insufficient production, and that the community endeavored to increase the efficiency by force. Even after all traces of collective cultivation and ownership had disappeared, there still remained various legislative provisions tending to impose on the landowners an obligation to cultivate the soil effectively. Under these conditions profit did not exist, and the colonial laws rigorously prohibited any charge for the loan of cattle and agricultural implements. In spite of these legal provisions, production was certainly lacking in energy ; but since the population was scanty, there was a general feeling of comfort, such as characterized also the typical order of the Germanic mark in Europe.

Equality of conditions, absence of extreme wealth and of abject misery, inexhaustible fertility of the soil and unrestricted political liberty constitute in primitive America the type of that economic paradise which Smith and Ricardo contrast with the abuses of our social system.<sup>1</sup>

But such a state of affairs could not last. On one hand the increase of population either through natural growth or through immigration, and on the other hand the diminishing fertility of the soil and the necessity of resorting to less fertile lands, brought about a more intensive system of cultivation. But as the decrease in production failed to induce the scattered cultivators to unite their forces, and no other adequate stimulus

<sup>1</sup> Analisi, vol. ii, p. 52.

existed, and as wages were not compatible with free land, a system of compulsory association was necessary. This was found in slavery, which in the American colonies, as in Rome under the kings, supplanted the system of isolated producers, and while making production far more efficient, brought about the existence of profit. But this increased efficiency of production is only relative; for slavery, by reducing the laborer to the state of a brute, by unfitting him for social duties and by other influences which it exerts, implies a decided limitation on production. Though far less restrictive than the system of isolated cultivators, the slave system in the course of time becomes unendurable. The effects of its limitations on production become more and more apparent with the exhaustion of the soil and the increase in population. The expense of keeping the slaves in subjection and the great mortality among them eat up nearly all the profits to be derived from them. In the United States, when the population reached a certain degree of density, the expense of keeping the slaves was very little less than the returns from their labor.<sup>1</sup> Thus slavery died out in the colonies, as it died out long before in Europe, and with the liberation of the slaves there arose a new era of isolated producers as the slaves scattered over the free lands. It is a characteristic fact that during the last century slavery in the American colonies had caused the downfall of the system of small ownership and substituted for it that of large ownership better adapted to slave cultivation; but as soon as slavery began to be abolished in the various states, the large slave estates were cut up and transformed into a system of small properties.

<sup>1</sup> Loria makes some acute observations on the formation of value under slavery. He says that slave economy renders it impossible to attend to the variations in the demand for products; for when the demand diminishes, the owner cannot dismiss his slaves, as he would paid laborers. Production assumes then an automatic and persistent character, notwithstanding the unlimited decrease of profits. There can be no competition in an economy devoid of capital and incapable of improvement. But when competition is absent, value no longer depends on the law of cost (which is itself a consequence of competition), but is influenced only by demand and supply, and is regulated exclusively by considerations of utility and human wants. Thus as a general thing the cotton produced by the American planter was sold below cost; and in the ancient systems price was determined exclusively by the abundance or scarcity of the commodity.

But dissociated producers are incapable of energetic production and so the contrast between the increase in population and the decrease in produce becomes all the more intolerable. On the other hand the fertility of the soil is still sufficiently great to stimulate the search for some form of association by which production may be increased. But all efforts to create a union of free men under the direction of a capitalist are futile as before, because of the existence of unoccupied lands. All the conditions combine to produce a new form of compulsory association in which capitalists compel the services of laborers; it is then serfdom that follows slavery. In Europe this situation characterizes the time of the feudal system, in the establishment of which free landowners were expropriated and reduced to the condition of serfs. In America the principles of serfdom are represented by the system of "indentured servants" which long prevailed. Serfdom presents a productive power greater than that of slavery, but still not without limit. With a still further development of population, this system of production also becomes obviously inadequate; while at the same time the feudal system (which in Europe is connected with serfdom), with its many defenders of profit, takes away from the feudal lords a great part of profit. Accordingly out of the ruins of serfdom arises a new product of economic evolution, the free association of labor.

The existence of free land and the freedom of the laborer contribute to make the reward of labor very high, and to prevent the capitalist from deriving any profit from his capital. Ample proof of this is found in the fact that in the North American colonies and in the West Indies during the last century wages were so high that capitalist enterprises did not succeed in maintaining themselves. The only possible form of production was the small industry, in which the *entrepreneur* was at the same time a workman, and in which therefore profit was not separated from labor. Such a condition was also characteristic of the first period of the guild system in Europe, when the master was, so to say, the equal of his apprentices, and his income was derived from labor rather than from capital. Capital

seeks to react against this state of affairs, but the existence of free land and the scarcity of laborers paralyze its exploiting tendencies. The beginning of this century in the United States and the end of the middle ages in Europe mark the golden age of the laborer.

But this era of prosperity is of short duration; the population demands a production much more efficient than that which has arisen with the freedom of the laborer. Thus in America and in Europe property tends to become concentrated, large farming supersedes small farming, and the demands of an increasing population act as incentives to industrial inventions. The expropriation of small farmers which took place in Europe in the sixteenth and seventeenth centuries produced vast social results, because it was accompanied by the cessation of free land cultivated by simple labor.<sup>1</sup> In the United States such a movement began with this century, and ever since the connection between the concentration of land and the increase in wealth and population has become steadily more manifest. Small landed properties are more characteristic of those states where population is scanty and industries little developed; while where population is relatively dense and industry is flourishing, the ownership of the soil shows a threatening and ever growing concentration. And the state itself, through injudicious grants of land, which constitute a veritable social crime, hastens the development of large ownership, and, regardless of the growing population, it officially decrees the era of *latifundia* — that historical cause of utter ruin.

With the loss of free land the workman loses his long standing protection against economic serfdom and is compelled to sell his labor to the capitalist, that is to say, to become a wage-earner. From this point the legal subjection of the laborer comes to an end. The capitalist is no longer constrained to

<sup>1</sup> It should be noted that according to Loria the economic subjection of the workmen does not depend on the utter disappearance of cultivated and unoccupied lands; it becomes possible with the occupation of all the land that can be cultivated by labor without capital. The free lands that require capital do not offer a sufficient security to the laborer, because by the reduction of wages to a minimum the laborer is prevented from accumulating what is necessary.



bar him by law from access to the soil ; but on the legal liberty of the laborer is built up his economic serfdom. Now come in rapid succession the improvements made necessary by the increase in population and by the decrease in the productivity of the soil — improvements hitherto impossible on account of slavery and serfdom, but now quite compatible with wage-paid labor. These improvements thus are a consequence of the cessation of free land. So also, though less directly, is another characteristic of the new era, *viz.* competition, which arises from the mobility of the wage-laborer and the untiring efforts of the capitalist in a situation in which capital has assumed the greatest importance. Under the semblance of the freedom of the laborer, a new and more cruel period of impoverishment begins ; for wages can be reduced to a minimum by the capitalist. It is the latter who has really obtained freedom, — freedom from the burdensome necessity of keeping the laborer in legal subjection in order to make some profit out of him. At first in the new system wages are high, on account of the scarcity of the laborers ; but capital works by various methods to lower wages and thus to prevent the laborer from gaining access to land through saving.<sup>1</sup> The methods adopted in Europe and America are, as we all know, the employment of women and children, the lengthening of the working day, the use of machinery, *etc.* By such means capital lowers wages and depresses the condition of the workmen. The impulse to the formation of capital which is given by machinery and the development of production, would tend however to raise wages ; but the capitalist counteracts this tendency by the great development of capital and unproductive labor effected through middlemen

<sup>1</sup> Loria observes acutely — and how accurately I shall leave it to the American reader to judge — that in 1798, when wages were high and laborers could have occupied lands requiring capital, a federal law was passed for the very purpose of excluding them from these lands by providing that the lands should be sold at public auction in tracts of not less than nine square miles ; on the other hand, the Homestead Act of 1862, according to which settlers could obtain farms of not more than one hundred and sixty acres, was enacted when wages were low, when the only lands to be disposed of were those which, being less fertile, required considerable capital for their cultivation, and when, therefore, the free access of the laborers to the soil could no longer endanger the interests of the capitalists.

and speculation. From the War of Secession to the present day the number of middlemen in the United States has increased enormously—from one for every two hundred and twenty-two inhabitants to one for every sixty-one inhabitants. Here too another form of capital and unproductive employment has grown enormously—bank capital, which with the multiplication of banks has fostered wild speculation, to the detriment of a healthy production. So in Europe also the large banks supported by the governments have been of use principally to speculators.

However, as population increases and wages gradually diminish, profit necessarily keeps up and becomes automatic; its existence no longer depends on the systematic compulsion of labor. But this stage of economy has no more permanence than the others. Population keeps up its pressure, and in the monopoly rent which is largely developed under this influence is found the antagonist which at last reduces profit permanently even below the minimum, by throwing capital into that state of chronic depression that characterizes our age. At the present time the reduction in profits is general in America and Europe; industry is no longer remunerative; the capitalist economy is destroying itself. In its agony capital casts about frantically for relief. In agriculture expenses are diminished, tillage land is turned into pasture and extensive is substituted for intensive culture. In manufacturing industry all manner of rash enterprises are undertaken. But every expedient is in vain. As the soil is exhausted, agriculture fails; with ignorant and excessive production, industry falls into general depression.

At the same time the inequalities in social conditions become continually more serious. Wealth becomes more and more concentrated; misery becomes more intense and widespread. Never before has the contrast between wealth and poverty been so glaring and painful as now: never before the present time has the misery of the poor been more extreme, or the conditions of their daily life more hopeless and degraded. “While the too rich food of the wealthy classes causes cancerous diseases at the west end of London, death from hunger is more frequent at

the east end, and starvation is rampant throughout the huge population."<sup>1</sup> On the one hand, products in apparent abundance that find no purchaser and hence ruin the producers; on the other hand, in the midst of this abundance of food, famishing crowds of workmen without work, tending toward revolution. Although at a slower rate, this condition is developing in America also; and the new and the old world are bound as with bonds of iron in a common woe. And it is noteworthy that in America this economic transformation goes hand in hand with a political transformation. The cessation of economic freedom, due to the total occupation of the soil, is destroying democratic methods, the glory of early American times. The Congress of great democrats, which characterized the era of independent producers, is being superseded by a Congress of plutocrats and railway magnates, which is the parliamentary expression of an era in which capital predominates.

The inadequacy of the existing order to satisfy the demands developed by further changes in the relation of population to productivity of the soil renders necessary a new social system, which must have for its first principle the denial of exclusive property in land. Access to the soil must be free to all men, that they may render it fruitful by their labor. On free land individual cultivation will not prevail, but there will necessarily arise that spontaneous association of labor, which now for the first time is rendered feasible by the diminished productivity of the soil. This spontaneous association will be a union on equal terms between the capitalist-producer, who will enjoy the ownership of the soil, and the simple laborer, who will have no capital but will renounce all ownership of the soil. This union will insure the freedom, equality and welfare of all; for if the capitalists wish to compel laborers to work for a smaller remuneration than they themselves secure, the laborers may rebel, and by asserting their imprescriptible right to the soil, may occupy part of it for their own exclusive use. With the advent of this new economic order the long and sanguinary struggle of society, the lack of social equilibrium, the deep and grievous

<sup>1</sup> Vol. ii, p. 412.

contrasts will cease completely, and there will be inaugurated an era of peace in which human thought, relieved of the daily preoccupation for material interests, will be able to rise to the grandest and loftiest problems of nature.<sup>1</sup>

To some readers the degree of originality which I have ascribed to Loria's ideas may seem exaggerated. Strictly speaking, his fundamental conceptions are to be found in earlier writers—even in earlier centuries; and he makes constant use of the works of these predecessors, with comment and explanation. So, for instance, in discussing the influence of free land on the condition of the working classes, he has been anticipated by Franklin, Merivale and Wakefield; and in respect to the influence of the existing constitution of property in land, he is paralleled by Henry George; his criticism of capitalist economy shows traces of the thought of Karl Marx; and finally, as I have repeatedly observed, the point of departure of our author's system is to be found in the theories of Malthus and Ricardo.

But originality, as I understand it, does not consist in the first conception of an isolated idea, or in the hasty outline of a principle. Rather must it be ascribed to him who, knowing how to profit by all that has gone before him, develops and co-ordinates the ideas of earlier men, draws from them all their necessary consequences and thus conceives and brings to light an entire organic system. The theory of rent belongs to Ricardo, although many others before his time had called attention to it; the invention of the steam engine belongs to Watt, although he also had his forerunners. And I believe that it would not be easy to deny to Loria the originality involved in the conception of a great historical system of social economy, in which the evolution of human society is traced on lines that are strikingly novel. Starting often from principles already propounded and developed by others, he assigns to them a different character and importance, or brings into new

<sup>1</sup> In a work entitled *La Teoria Economica della Costituzione Politica* (1886), Loria has shown the relation between economic and political conditions. But it would take us too far astray to speak of this, or of his more recent and important work on money, *Studi sul Valore della Moneta* (1891).

light their influence on social phenomena. Even more perhaps than in the broad outlines of his system is the originality of Loria's mind revealed in the minute details of his work, and in his novel interpretation of familiar social facts. Nor is it a small testimonial to his originality that his theories provoke endless criticism; that his synthetic conceptions are often so bold as to seem paradoxical; and that many of his interpretations of facts are so entirely at variance with generally accepted ideas as to call forth protests from those who are most fascinated with his general system. Such protests may be expected from those readers who learn to know his theories only from the present essay; for here the necessity of condensing has made assertion take the place of proof, so that the theories often appear bolder and more audacious than in the works themselves, where all the resources of deduction and induction are pressed into service.

#### IV. *Criticism of Loria's System.*

Before bringing this paper to a close I must now turn briefly to criticism. And in so carefully constructed a logical system as Loria's, it is necessary to examine not only the general outlines but also the details; for a flaw in a single stone may prove disastrous to the whole structure.

In his work on *Rent*, our author, I agree, has brought into a clear light the social effects of rent in the present system, and has proved historically, perhaps not the complete elision of rent, but at least its social insignificance in preceding periods. Still Loria does not seem to have made it clear how rent can be "elided" in a later stage of evolution. He pays too much attention to the characteristics of his hypothetical small cultivating proprietorship, and too little attention to the process by which this system can be substituted for the large ownership which to-day tends more and more to swallow up the smaller. Nor does it sufficiently appear whence are to be derived the means through which the large ownership is to play so efficient a part in the new association as Loria thinks it will. And if it be said

that Loria clears this up later on in his *Capitalist Property*, I answer that, although the "association on free land," which figures so largely in his last work, has many points in common with the "cultivating ownership" of his *Agricultural Rent*, of which it is substantially but an outcome, still the two are not identical. The conclusions of the two works thus betray a certain lack of uniformity. Again there is no satisfactory proof that small ownership must surely "elide" agricultural rent. According to the author such an elision would be due to the relative immobility of the capital of the working landowners or farmers, and to the influence of their attachment to the soil that their labor has rendered fruitful. Now even if we admit, with Loria, the tendency of a system of small ownership to eliminate rent, it may be asked whether he has not possibly exaggerated the immobility of the farming capital, as well as its importance, and whether, on the other hand, he does not commit an error similar to that of Ricardo and his followers (and into which he himself falls often enough in his various works), by ascribing to labor and industrial capital a perfect mobility. For this mobility and immobility are both subject in fact to numerous limitations.

We must, however, devote ourselves especially to the *Analysis of Capitalist Property*, not only because it is the most recent work, but because in it Loria's system is developed most fully and is carried out to its ultimate consequences. In the study of this colossal work a host of qualifications and objections are suggested, of which, however, I must limit myself to those that touch the fundamental principles of the author's system and his most important deductions. As to Loria's doctrine that free land would make profit and interest impossible, and the ingenious deductions that he associates with it, I must confess that they have made a profound impression upon my mind; but although I think that he fully demonstrates the great equalizing influence of free land, I cannot accept his doctrine in its entirety. His conclusions presuppose a physical, intellectual and moral equality in men that is entirely inadmissible. Free land opens indeed a field to all kinds of activity and places all

men on the same footing. But is it possible to assume that under equal conditions all men will know how to till the soil—and that too without capital and without assistance? And will all alike have the ability and desire to gain from land an equal capital, of the same quantity and in the same time?

Loria tells us that under a system of free land the capitalist's abstinence from immediate consumption and the workman's abstinence from free land are incommensurable, and that accordingly the produce must be divided into equal shares; for if either party obtained an advantage the other would have the opportunity of changing to the better position. But we may ask ourselves whether, even though there is fertile land free to all, everyone will be able and willing to make all the sacrifices required to cultivate a virgin soil; whether everyone will have the knowledge and ability requisite to get from it a surplus of produce; whether everyone will be willing to accumulate this surplus and turn it into capital. Again, granting the ability and the desire, will all this be possible to everyone in the same degree and at the same time? May not, after all, such difficulties be met with and such sacrifices be required, as to make more or less of the people prefer to work for others, even though for a somewhat smaller compensation? On the other hand, as soon as increased production results from the association between the capitalist-laborer and the simple laborer, the latter will be held to the association by the fact that he obtains something more through it than he would on free land. It is just and natural that a greater part of the increase should fall to the capitalist-laborer who has already accumulated, than to the simple laborer, on whose mind the difficulties of accumulation must make no less an impression than its feasibility.<sup>1</sup> Graziani, in criticising Loria's doctrine, argues that there is an absurdity in assuming that he who has accumulated should have the same returns as he who has not, because in such a case the capitalist would cease to accumulate and would become a simple laborer. But this objection seems to me untenable, because

<sup>1</sup> For some excellent ideas on this general subject see Alessio's article on Loria, in the *Rivista Italiana per le Scienze Giuridiche*, vol. x, nos. ii, iii.

even in a system where produce is equally divided, capitalist labor would always profit by the increase due to association. But it does seem plain that he who has already accumulated should necessarily profit by the benefits resulting from association to a greater degree than he who has only the possibility of accumulating. Loria's theory contains, however, a great substratum of truth in the principle that with free land, profit, even though not annihilated, would no longer be able to depress and exploit labor as under the present system.

As to the elimination of interest by free land, here again I am not clear as to Loria's soundness. His idea is that by taking a loan from a capitalist the laborer becomes liable to expropriation, and this liability involves a degree of dependence which is equivalent to an abstinence from free land; such abstinence, therefore, justifies the appropriation of the whole produce of the capital by the borrower. Even if we admit that equivalence of the two kinds of abstinence on which, as we have already seen, the impossibility of profit is based, it is hard to see how the dependence of the workmen, caused by debt, can be equivalent to an effective abstention from the soil. For under a system of free land expropriation would have neither meaning nor object; and there could not be any real dependence of the workmen on the capitalist, because, given free land cultivable by simple labor, borrowing capital might conceivably be an advantage but could never be a necessity to the laborer. Furthermore the author assumes here also, not only that all are able and willing to accumulate capital by the cultivation of free land, but that the process is exceedingly easy and rapid. The simple laborer will be confronted with the alternative, either to cultivate the land by his unaided labor during a certain period—and perhaps a long one—or to cultivate it by borrowing capital and handing over to the capitalist a share of the greater produce obtained; but under such circumstances the laborer will be just as likely to choose the latter alternative, and thus to render interest possible.

Loria's theory of value on free land encounters an analogous difficulty. It presupposes an efficient competition in all pro-



ducers, which means in all the actual or immediately possible possession of an equal capital. This defect in his theory of value is entirely apart from the fact that, like all others who make value depend on labor, he takes no account of the element of utility. This seems to me the weakest point in Loria's theory. He rests wholly on the assumption that the ability to accumulate is equal in all, and thus ignores the fact that, be the land free or occupied, the capital which contributes to production is enabled to insist on a return precisely because all do not accumulate, or at all events not in the same degree.

One of Loria's favorite ideas is that the capitalist, in order to keep up the rate of profit, is obliged to reduce wages to a minimum and thus prevent the laborer from accumulating a capital with which to work the inferior grades of unoccupied land. In answer to this it must be said in the first place that if unoccupied lands, or even lands cultivable by pure labor, actually do exist, they will be comparatively inaccessible to the workmen, on account of their remoteness from the places where the working population is concentrated; and most of the emigration to distant lands is furnished, not by workmen who have accumulated, but by workmen reduced to utmost penury. Further, all workmen will not be able to cultivate the land efficiently, especially in a new environment. And finally, to assume that every workman, as soon as his wages somewhat exceed his needs, will save and attempt to employ his surplus productively,—to assume that the workmen will always be able and willing to do this, is really to transcend the limits of legitimate scientific hypothesis. There is indeed here also an element of profound truth in Loria's conception; but it is an exaggeration of its import to make the existence of profits absolutely dependent on minimum wages.

It must furthermore be observed that the law of "complex labor," by which, according to Loria, value is fixed in the existing system, itself presupposes the reduction of wages to a minimum. As a simple matter of fact, then, in the countries where the capitalist régime prevails, are wages always reduced to a minimum? The answer must obviously be in the negative;

for how can we practically determine the limits of applicability of the two different laws of value, each of which is to act according to circumstances?

But let us come finally to the consideration of that new form which Loria would substitute for the present social order, and thus insure welfare and equality. Despite all the ingenuity with which he has developed his plan, I am not satisfied of its feasibility. In the first place I cannot understand what meaning and what *raison d'être* can be assigned to private property in land, which Loria admits into his system but which does not insure any advantage to the landowner. It may be to a certain extent conceded that in the hands of a laborer capital may continue to exist without profit, since the laborer can at least enjoy the benefits resulting from the diminution of his exertions. But I really cannot understand in what sense ownership of land can be predicated of a capitalist who works in association with a simple laborer, and shares the produce with him equally, but who receives no return either for his capital or for the fact of his being the landlord. Much clearer seems to me that conception of small farms or cultivating ownership to which Loria in his first work attributes the power to "elide" rent: but such a system could not possess that great social importance which our author now ascribes to his "free association." Except through collective ownership of land, it is difficult to find a basis for the imprescriptible right of all men to occupy free land.

Loria observes that the free association, by insuring the comforts of life, would limit procreation and would thus make impossible the rapid increase of the population. But to whatever degree the growth of population can be held in check, it is easy to imagine a time in which all the lands which can be cultivated by pure labor, as well as those that require the employment of a limited capital, will be occupied by associations of capitalist-laborers and simple laborers. In such an event, either there would be an ever-increasing subdivision of property that would necessarily reach a limit, or else it would be necessary to restrict the right of occupation of the remaining lands. But those would be the very lands to require an ever-

increasing capital ; or in other words, it would be always more difficult to cultivate them, so that they too could not in any event be unlimited. The freedom of choice in the workman would become continually more restricted, his right of occupying the soil continually more meaningless, and profit, even if it did not exist at the outset, would gradually arise and would at last become solidly established, with the inevitable cessation of free land. Thus even if Loria's new social system were practicable, and if it could produce that complete social transformation which the author expects, it could not be definitive ; for progress of population would render further reorganization inevitable. But apart from any consideration of economic order, Loria's principle that a stable and lasting social system can grow out of the present crisis, however attractive to the fancy, is nevertheless irreconcilable with the laws of evolution and progress, which tell us that continuous transformation is the law of existence, that motion is the essence of life and that immobility is death.

But enough of minute criticism. Let us, in conclusion, call attention to a single point in the general subject of method. Loria's method is peculiar and makes it a difficult task to classify him under the ordinary categories. He is thoroughly at home in deduction, and he makes use of all its resources in the marvellous theorizing that often suggests Ricardo. The first volume of his *Analysis* is a compact logical structure, in which the closely wrought mass of bold and original deductions commands our admiration, even when, through doubt of his premises, we are disinclined to accept his conclusions. But he does not, like the old deductive school, assume the immutability of economic laws. On the contrary, the premises from which he starts have for him not an absolute, but only a relative and historical value ; he has recourse to history and the inductive method in confirmation of his deductions. His whole system is essentially and profoundly historical. And he pushes his historical interpretation of human facts even to the point of paradox, as when he calls logic itself historical and relative.

Now this combination of the two methods would indeed, if properly used, be most fruitful, and would be the ideal instru-

ment of scientific research. But the mighty intellect of our author leads him into abuse of his instrument. As Salandra has already said, in speaking of another work of Loria's, no theory can be either legitimate or conclusive that seeks in history only a confirmation of its deductions, even though it be more or less successful in finding it. There are but two methods in science: either purely abstract speculation, or the minute and patient investigation of facts with a view to ascertaining their exact relations, without reference to preconceived ideas. These two methods may be made to go hand in hand in scientific investigation, each acting as a check on the other, provided that the preconceptions of deduction are not permitted to influence the conclusions of induction and the interpretation of facts. It is in neglecting this proviso that Loria has failed. However evident it may be that his careful study of facts has influenced his theories, it is impossible to avoid the suspicion that his theories have exerted a controlling influence, though unconsciously, on his study of facts. This suspicion finds a certain confirmation in the arrangement of his last work, where the study of history enters the field only in the second part, and for the purpose of corroborating the results already obtained by deduction. But more convincing evidence appears in the manner of using the mass of historical material which he has gathered from every age and every land; for in tracing the various phases of economic evolution his collocation of facts often betrays a serious disregard of necessary conditions of time and place, and the transformations he so eloquently describes thus assume the air of ingenious fancies rather than of historical reality.

But this, which constitutes beyond a doubt the most serious defect in all Loria's works, is at the same time an evidence of his greatness. It is characteristic of genius to burst asunder the bonds of method, to trust fully in its own strength and to follow the path itself so clearly traces. Such is the way of all great minds, of all creators of systems. Loria's work cannot be judged by the common standards of criticism. If we may demand of humbler authors a greater strictness of scientific

method, Loria's conceptions are so lofty that we may accept them as he gives them to us, leaving to his followers the task of adapting them to practical conditions. Nor should undue importance be ascribed to the criticisms of detail which I have suggested, — rather to ease my conscience than because it was necessary, — or to the others that might be added. A perfect system cannot be created at a stroke. Even if criticism succeeds in discrediting a great part of Loria's theoretical assumptions and in overthrowing his special interpretations of facts, yet in those colossal works, of which the present paper gives but a weak and imperfect idea, there would still remain enough to impart a strong impulse to social-economic investigations. There would remain a multitude of novel suggestions, to furnish food for long and fruitful scientific discussion. There would remain a subtle and profound analysis of economic relations and of institutions that have hitherto been but superficially studied. There would remain a happy intuition of that unconscious power which lies at the bottom of man's physical activity and dominates his entire social life, often making him a blind tool of circumstances. There would remain, finally, a noble attempt to trace back not only all economic phenomena, but all social phenomena, to a single cause, and to deduce from this their entire evolution, — an attempt inspired with such originality and mental vigor and carried out with such acuteness of investigation and such comprehensive learning, that the critic is silenced and the philosopher is lost in admiration.

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BOLOGNA, 1892.